



SURFACE TRANSPORTATION BOARD
Washington, DC 20423

Office of Economics, Environmental Analysis and Administration

January 11, 2007

Todd L. Smith, Natural Hazards Specialist
U.S. Department of Homeland Security
FEMA, RIX
Flood Insurance and Mitigation Division
1111 Broadway, Suite 1200
Oakland, CA 94607

Re: STB Finance Docket No. 34836, Arizona Eastern Railway – Construction and
Operation – In Graham County, Arizona;
Request for Comments on Potential Environmental Impacts

Dear Mr. Smith:

On August 4, 2006, the Arizona Eastern Railway (AZER) filed a petition with the Surface Transportation Board (Board) requesting authority to construct and operate a 10-mile rail line in Graham County, Arizona (see Figure 1, enclosed). This proposed rail line would connect Phelps Dodge's proposed San Juan mining operation with an existing 133.5-mile AZER line that operates between Miami and Bowie, AZ, then connects with a line of the Union Pacific Railroad (UP). AZER anticipates that the line would handle about 5,000 carloads annually, or one round trip per day at 15 to 20 carloads per trip, six days per week. Commodities to be handled include sulfur and sulfuric acid in tank cars and copper cathodes in boxcars. According to AZER, this traffic represents new business, which would move directly by rail from Phelps Dodge's mine and processing facility.

Pursuant to the National Environmental Policy Act of 1969 as amended (NEPA) and the Board's environmental rules, the Board's Section of Environmental Analysis (SEA) will prepare an environmental document that evaluates the potential environmental effects of the proposed project and the reasonable and feasible alternatives to the proposal including the no-build alternative. The purpose of this letter is to request information from your agency on the resources under your jurisdiction that could be affected by the proposed project, as well as any permits and approvals that may be required.

This letter begins the process by which SEA will assess the potential environmental effects, both positive and negative, that may be associated with the proposed rail line construction and operation. We appreciate your assistance in identifying whether resources of

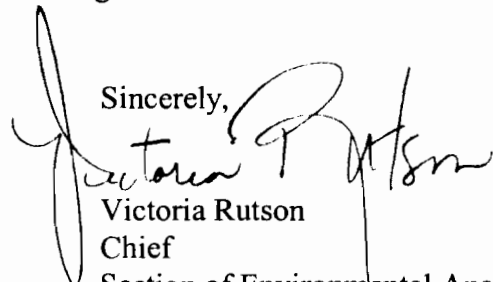
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concern to your agency may be affected by the proposed project. We would appreciate receiving your response within 30 days after delivery of this letter, in order to incorporate your comments into the scope of the study, as appropriate.

CirclePoint is serving as SEA's independent third-party consultant in this proceeding, and will assist SEA in the preparation of the environmental document. Please send your comments to:

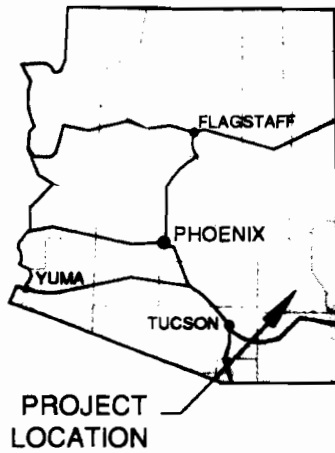
Mr. Scott Steinwert
CirclePoint
135 Main Street, Suite 1600
San Francisco, CA 94105

We would appreciate receiving your comments by February 9, 2007. If you have any questions, please do not hesitate to contact Scott Steinwert, Project Manager for CirclePoint at 415-227-1100, ext 117, or Diana Wood, SEA Project Manager at 202-565-1552

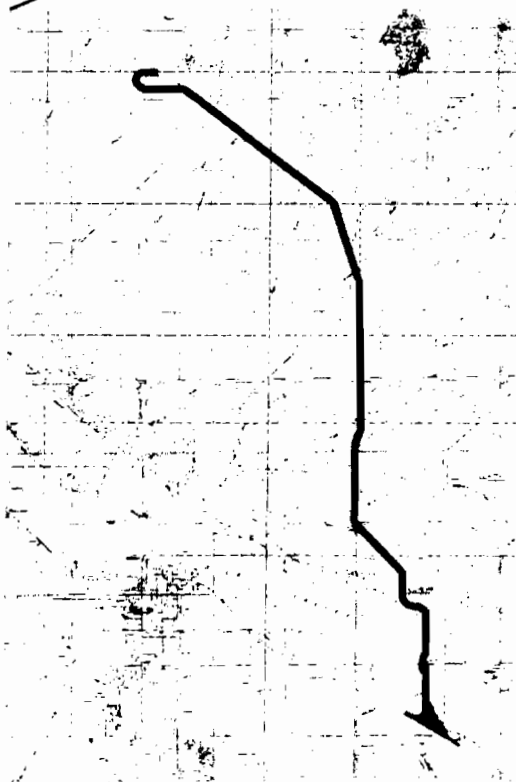
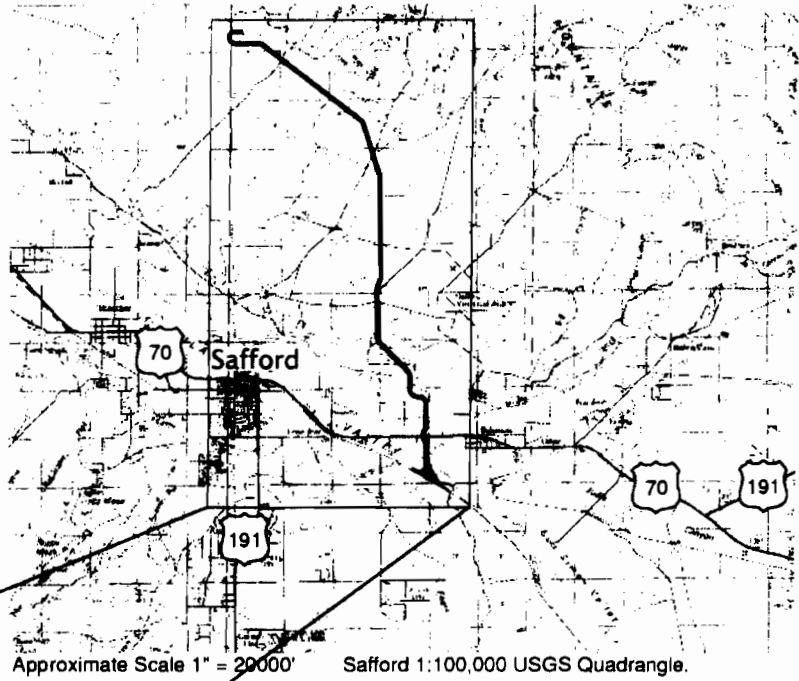
Sincerely,

Victoria Rutson
Chief
Section of Environmental Analysis

Enclosure

ARIZONA



Portion of Graham County



T.6S., R.26E., Portion Sections 5, 6, 8, 9, 10, 15, 22, 23, 26, 34 & 35.
T.7S., R.26E., Portion Sections 3, 11, 14, 23, 24, & 25.
Graham County, Arizona,
Weber Peak & Safford 1:24,000 USGS Quadrangles.



0' 6800' 13600'
APPROX. SCALE: 1" = 13600'

NOT TO SCALE

